

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

Joint Application of Aqua America Inc. et al and Peoples Natural Gas Company LLC for all of the Authority and Necessary Certificates of Public Convenience to Approve a Change in Control...	Public Meeting of January 16, 2020 3006061-OSA Docket Nos. A-2018-3006061 A-2018-3006062 A-2018-3006063
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STATEMENT OF CHAIRMAN GLADYS BROWN DUTRIEUILLE

Before the Commission are Exceptions to the Recommended Decision approving the non-unanimous Settlement for the proposed acquisition of the Peoples Companies¹ by Aqua America². While, overall, I believe this transaction is in the public interest and warrants approval, I wish to address my concern with the provisions related to the Goodwin and Tombaugh Gathering Systems. These two gathering line systems were included in the prior transfer of the Peoples Companies from Equitrans, approved in 2013.³ At that time, the Commission approved a full settlement (2013 Settlement) which included directives for action on these two gathering systems.

The Goodwin and Tombaugh Gathering Systems total approximately 379 miles of natural gas gathering pipeline and associated facilities in Greene and Washington Counties owned by PNG Gathering, a non-utility affiliate of the Peoples Companies. There are approximately 1,602 end-use gas customers served from these lines. The 2013 Settlement included \$5 million for the purpose of investigating the condition of the systems, repairing leaks and preparing an assessment. The 2013 Settlement directs that after completion of the assessment, Peoples and PNG Gathering would meet with the public advocates, including the

¹ The Peoples Companies entails Peoples Natural Gas, Peoples Natural Gas – Equitable Division, and Peoples Gas.
² Aqua America entails Aqua America, Inc.'s and its subsidiaries Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.

³ Joint Application of Peoples Natural Gas Company LLC, Peoples TWP LLC, and Equitable Gas Company LLC for all of the authority and the necessary certificates of public convenience (1) to transfer all of the issued and outstanding limited liability company membership interest of Equitable Gas company LLC to PNG Companies LLC (2) to merge Equitable Gas Company LLC with Peoples Natural Gas Company LLC(3) to transfer certain storage and transmission assets of Peoples Natural Gas Company LLC to affiliates of EQT Corporation (4) to transfer certain assets between Equitable Gas Company, LLC and affiliates of EQT Corporation (5) for approval of certain ownership changes associated with the transaction (6) for approval of certain associated gas capacity and supply agreements, and (7) for approval of certain changes in the tariff of Peoples Natural Gas Company LLC, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651 (Opinion and Order entered Nov. 14, 2013).

Commission's Gas Safety Division, to discuss options and to present a plan to the Commission. Periodic updates have been filed in that docket and the last report indicates that Peoples is now ready to discuss the matter with the public advocates and to develop a plan that will be filed with the Commission.

Given this background, the disposition of the Goodwin/Tombaugh Gathering System presented here appears premature and lacks the full evidentiary record I would prefer for such a substantial proposal. Here, Aqua America and the Peoples Companies would be permitted to potentially recover up to \$120 million in costs related to the rehabilitation of these gathering systems. When accounting for the proposed one-time \$13 million credit, the avoided costs of abandonment, and the net-present value of revenues from this investment, ratepayers will be on the hook for approximately \$79 million. This equates to a cost of approximately \$43,000 per customer to rehabilitate the Goodwin and Tombaugh Gathering Systems.

While on its face this cost seems high, I understand this is a tough predicament. Both systems leak significant amounts of gas, with the record here indicating lost and unaccounted gas numbers of 82 percent and 44 percent for Goodwin and Tombaugh respectively. As such, rehabilitating these systems will have a substantiate environmental benefit and should reduce the potential of a catastrophic natural gas explosion.

Nonetheless, I am sympathetic to the Office of Small Business Advocate's (OSBA's) position that the rehabilitation of these gathering systems would be best handled in the docket commenced pursuant to the 2013 Settlement. The Commission has already provided this vehicle and directives regarding these lines, and under that earlier docket, a methodology is set forth. Packaging the completion of the 2013 Settlement into the instant proceeding appears to unnecessarily truncate the analysis of a very complex issue. I would prefer the parties have an opportunity to concentrate solely on these gathering lines and to develop a thorough and complete evidentiary record regarding their disposition.

Noting my concern with this sole issue, I acknowledge that the proposed settlement is designed in a manner which offers numerous public benefits. While not an exhaustive list, I wish to highlight some of these. First, the record states that the proposed transaction will be accretive to Aqua America's earnings. As well, approval of the non-unanimous settlement will allow the Peoples Companies to gain access to public equity. The settlement also states that expenses for goodwill,

transaction costs, transition costs, and the cost of equity or debt issued to finance goodwill will not be recovered in the Peoples Companies' or Aqua America's rates. Moving on, the Peoples Companies commit to amend their existing long-term infrastructure improvement plan to allow for the additional replacement of 25 miles of at-risk pipe per year. The Settlement also includes a commitment to integrate an enterprise wide management information system leveraging the experience of the Peoples Companies. Finally, Aqua America commits to providing a one-time \$10 million rate credit to the Peoples Companies and Aqua America customers. I commend the Parties in the proceeding for reaching these terms.

In totality, these benefits outweigh my concerns related to the gathering systems. Therefore, I will vote in support of the motion approving the acquisition.

January 16, 2020
Date


Gladys Brown Dutrieuille, Chairman